



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Matt Cano

SUBJECT: OFFICE OF EQUALITY
ASSURANCE SOFTWARE

DATE: May 10, 2019

Approved

Date

5.10.19

BACKGROUND

At the April 11, 2017 City Council meeting (Item 4.1), the City Auditor presented the audit report of the Office of Equality Assurance (OEA) that included eight recommendations. During discussion of the audit report, the Council included in the approved motion to accept the report that staff identify, evaluate, and analyze the cost of a software solution to address Recommendation #1 (a), "Procure a software solution to automate payroll review to free up staff time for other responsibilities", and bring forward a budget addendum prior to the adoption of the annual budget. The 2018-2019 Mid-Year Budget Review Report included an update on the process to acquire a software solution in response Councilmember Arenas' memorandum as approved by the City Council with the acceptance of the Status of Open Audit Reports (Item 3.3) at its meeting on September 18, 2018. The 2019-2020 Proposed Operating Budget includes an ongoing allocation of \$200,000 for the Office of Equality Assurance Labor Compliance System Reserve to acquire an appropriate software solution.

ANALYSIS

A software solution for OEA has the potential to increase operational efficiency, and cloud-based data storage has the potential to remove the need for storing immense amounts of paper reports and also allows for easy location and access to important documents. With the Council approval and execution of Project Labor Agreements on public works construction contracts of \$3 million dollars or more, and future decisions on City Council Policy Priorities regarding the Local Hire Program and the Citywide Contracting Program, a reporting software will be a necessity.

Other jurisdictions have automated the submittal and wage calculation step in their payroll review process. For example, the State of California Department of Industrial Relations (DIR), the cities of Oakland and Long Beach, and East Bay Municipal Utility District (EBMUD) use a web-based program that requires all contractors to enter their payroll electronically. Jurisdictions differ in vendors, software solution needs, and cost recovery methods. For example:

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- The DIR requires all contractors performing on public works contracts to pay an annual registration fee (\$400).
- The City of Oakland charges contractors a monthly service charge based on the value of the contract.

Outreach was conducted with two vendors providing software solutions to other jurisdictions, including EBMUD and the State of California Department of Industrial Relations. The vendors provided an annual budget requirement between \$144,000 and \$186,000, with a startup cost upwards of \$30,000. Modules for Community Workforce Agreements and Local Hire reporting can be added for an additional cost. A Direct Payroll Interface, allowing contractors and subcontractors with current payroll systems to convert and upload their payrolls directly to the system, is an additional cost of up to \$595 per contractor (this may be paid for by the City or contractor).

On a parallel track, Public Works is participating in the Startup in Residence (STiR) program sponsored by the City Manager's Office of Civic Innovation and Digital Strategy. STiR is a 16-week remote program connecting startups with government agencies to co-develop technology solutions for government challenges. OEA has partnered with The InnoActive Group for this endeavor. The project is on week 14 and has made excellent progress toward the initial stage of a software solution. This solution is built on a "no-code" platform that gives OEA the ability to update features with minimal support from the startup. This will allow for a more agile solution that can be modified based on the demands of the City's wage compliance requirements. The STiR solution is also designed to utilize the City's existing Capital Project Management System (CPMS) architecture by pushing and pulling data to and from the project database that is already in use by Public Works.

Initial costs for the InnoActive work in 2018-2019, estimated at \$50,000, will be absorbed within existing funding sources. As the InnoActive solution is characterized by an iterative process to customize options to best suit the City's needs, a total project cost is not yet known, but is expected to be less than \$200,000. Further, staff expects that ongoing costs for software support will likely be less than \$200,000.

Both approaches have benefits and opportunities. An "off-the-shelf" product used by other agencies allows some consistency through the multiple agencies and understanding of the requirements by contractors. The product produced by InnoActive through the STiR program allows for customizable interfaces, report development, and updates to meet the City's needs. The need for customizable reports and the ability to adapt to the needs of the City are critical as staff continues to develop labor compliance policies, including Local Hire, Wage Theft, and Disadvantage Business Enterprises. As the policies are developed and the needs identified, staff determined the software solution developed by the InnoActive Group would give the City more flexibility in a more time efficient and cost effective manner.

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Staff is satisfied with the initial product demonstration and is optimistic that the final product will meet all the needs of the City. However, staff will not know for certain until the final product is delivered in late Spring 2019. As a result, staff anticipates coming forward with actions as part of the 2018-2019 Annual Report to allocate funding from the earmarked reserve to a live appropriation once the final scope and cost of the software have been identified.

COORDINATION

This memorandum was coordinated with the City Manager's Budget Office.

/s/

Matt Cano

Director of Public Works

For more information, please contact Christopher Hickey, Office of Equality Assurance Division Manager, Public Works at (408) 535-8481.